

AMANAH RAYA REIT



ANNUAL
REPORT
2008

AMANAH RAYA ■ REIT

AmanahRaya Real Estate Investment Trust

ORCHESTRATING THE FUTURE OF YOUR INVESTMENTS

AmanahRaya-JMF Asset Management is an ISO9001:2000 certified company in its provision of asset management services to ensure that only the highest quality of services are rendered to its clients.

With our vision set to be a world class asset management company, our main strategies are to:

- Maximize funds' performance consistently
- Build long-term partnership with clients that is based on trust and commitment
- Establish strategic alliances with global financial market players to adopt best practices
- Diversify risks whilst achieving high returns by investing in multiple asset classes in global markets
- Utilize technological advancements to enhance investment management practices



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CORPORATE DIRECTORY

MANAGER

AmanahRaya-JMF Asset Management
Sdn. Bhd. (309646-H)
(Incorporated in Malaysia)

MANAGER'S REGISTERED OFFICE

Level 15, Wisma AmanahRaya
No.2, Jalan Ampang
50450 Kuala Lumpur
Tel : +603 2055 7388
Fax : +603 2078 8187

PRINCIPAL PLACE OF BUSINESS

Level 7 & 8, Wisma AmanahRaya
No.2, Jalan Ampang
50450 Kuala Lumpur
Tel : +603 2687 5200
Fax : +603 2687 5300

BOARD OF DIRECTORS OF THE MANAGER

Independent Non-Executive Directors

Tan Sri Datuk Arshad bin Ayub (*Chairman*)

Datuk Mohamed Adnan bin Ali

Dato' Haji Ahmad Kamal bin Abdullah
Al-Yafii

Non-Independent Directors

Sharizad binti Juma'at
(*Managing Director / Chief Executive Officer*)

Dato' Ahmad Rodzi bin Pawanteh

Haji Rozan bin Mohd Sa'at

Dato' Dr. Mohd Irwan Serigar bin Abdullah

Alina binti Hashim
(*Alternate Director to Dato' Ahmad
Rodzi bin Pawanteh*)

COMPANY SECRETARIES OF THE MANAGER

Zainul Abidin bin Haji Ahmad

Chu Kum Yoon (f)

See Siew Cheng (f)

INDEPENDENT INVESTMENT COMMITTEE

Datuk Yahya bin Ya'acob (*Chairman*)

Tengku Dato' Hasmuddin bin Tengku Othman

Dato' Mani Usilappan

Mahadzir bin Azizan

S. Elias bin Abd. Rahman Alhabshi

AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

Datuk Mohamed Adnan bin Ali
(*Chairman*)

Dato' Ahmad Rodzi bin Pawanteh

Haji Rozan bin Mohd Sa'at

Alina binti Hashim
(*Alternate Member to Dato'
Ahmad Rodzi bin Pawanteh*)

MANAGEMENT TEAM

Sharizad binti Juma'at
(*Managing Director / Chief Executive Officer*)

Meor Khairi bin Meor Bazid
(*Chief Investment Officer*)

Tai Ai Ngoh (f)
(*General Manager, Operations & Finance*)

Azlan bin Azizuddin
(*General Manager, Marketing & Client Services*)

Sharifah binti Md. Sidek
(*Head, Fixed Income & Money Market*)

Abas bin Abd Jalil
(*Head, Property Investment & REIT*)

Rizal bin Abdullah
(*Head, Compliance & Legal*)

Zaffarin bin Hj. Zanal
(*Head, Risk Management*)

Fakru Radzi bin Ab Ghani
(*Manager, Property Investment*)

PROPERTY MANAGER

Malik & Kamaruzaman Property
Management Sdn. Bhd. (721939-X)

3rd Floor, Wisma Yakin

Jalan Melayu 50100

Kuala Lumpur

I.M. Global Property Consultants
(001639648-V)
24-1, First Floor, Wisma IMG
Jalan 1/76C, Desa Pandan
55100 Kuala Lumpur

REGISTRAR AND TRANSFER OFFICE

Symphony Share Registrars Sdn. Bhd.
(378993-D)
Level 26, Menara Multi-Purpose
Capital Square, No.8, Jalan Munshi
Abdullah
50100 Kuala Lumpur
Tel : +603 2721 2222
Fax : +603 2721 2530/1

TRUSTEE

CIMB Trustee Berhad (167913M)
Level 5, Bangunan CIMB
Jalan Semantan, Damansara Heights
50490 Kuala Lumpur
Tel : +603 2084 8888
Fax : +603 2092 2717

PRINCIPAL FINANCIERS OF THE FUND

Mayban Life Assurance Berhad (235175-H)
L15, Mayban Life Tower
Dataran Maybank, 1, Jalan Maarof
59000 Kuala Lumpur

Malaysia National Insurance Berhad
(9557-T)
Level 26, Tower 1, MNI Twins
11, Jalan Pinang
50450 Kuala Lumpur

Affin Bank Berhad (25046-T)
17th Floor, Menara Affin
80, Jalan Raja Chulan
50200 Kuala Lumpur

AUDITORS

BDO Binder (AF 0206)
12th Floor, Menara Uni.Asia
1008, Jalan Sultan Ismail
50250 Kuala Lumpur

BURSA MALAYSIA STOCK CODE

ARREIT 5127 (*Listed on the Main Board
on 26 February 2007*)

ABOUT AMANAHRAYA REIT

AmanahRaya REIT (“ARREIT”) is a real estate investment trust listed by Amanah Raya Berhad (“ARB”), a corporation wholly owned by the government of Malaysia. ARREIT is an income and growth real estate fund. The investment objective of ARREIT is to provide stable distributions per unit with the potential for sustainable long term growth of both such distributions and the NAV per unit.

ARREIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 26 February 2007 with eight (8) anchor properties at the total book value of RM337 million. Following a corporate exercise in 2007, a further five (5) properties were injected into ARREIT. As at 31 December 2008, ARREIT’s portfolio has 13 properties with a total book value of RM686.332 million.

For the financial years 2007, 2008 & 2009, the Manager of ARREIT shall distribute 100% of its distributable income and thereafter, the Manager of ARREIT shall, with the approval of the Trustee on or before the distribution date for each distribution period, distribute at least 95% (or such other percentage as determined by the Manager of ARREIT in its absolute discretion) of the distributable income of ARREIT provided always that the distributable income and distributable amount shall be subject to the availability of funds and in compliance with applicable laws and requirements. Each distribution shall be paid every half yearly and the Manager of ARREIT may amend the distribution policy at any time by giving notice to unit holders.

In reviewing the performance of ARREIT, the following performance indicators or benchmarks are referred to:-

- **Management expense ratio (“MER”)**
- **Total returns**
- **Average annual return**
- **Distribution yield**
- **Net asset value**

Standard & Poor’s, a renowned international rating agency, has reaffirmed ARREIT’s Financial Rating of BBB- with a stable outlook for the medium-term. This rating affirms ARREIT’s stable income and its above industry-average for its lease period. The rating highlighted the higher than industry level of “security deposit” and the long term lease maturities of the properties under ARREIT’s portfolio.

ABOUT AMANAHRAYA-JMF ASSET MANAGEMENT SDN. BHD.

ARREIT is managed by AmanahRaya-JMF Asset Management Sdn Bhd (“ARJMF”), a subsidiary of ARB. ARJMF was formed upon the acquisition of 70% of its shareholdings by ARB in 2005. As at 31 December 2008, the authorised and paid-up share capital of ARJMF is RM5,000,000 and RM2,000,000 respectively.

ARJMF is principally responsible for the management of ARREIT and the effecting of ARREIT’s investment strategies to meet its investment objectives.

Besides being the manager for ARREIT, ARJMF is also a licensed fund manager under the Capital Markets & Services Act 2007.

PROPERTY PORTFOLIO

AMANAHRAYA



FUND'S INVESTMENTS INVESTMENTS IN REAL ESTATES

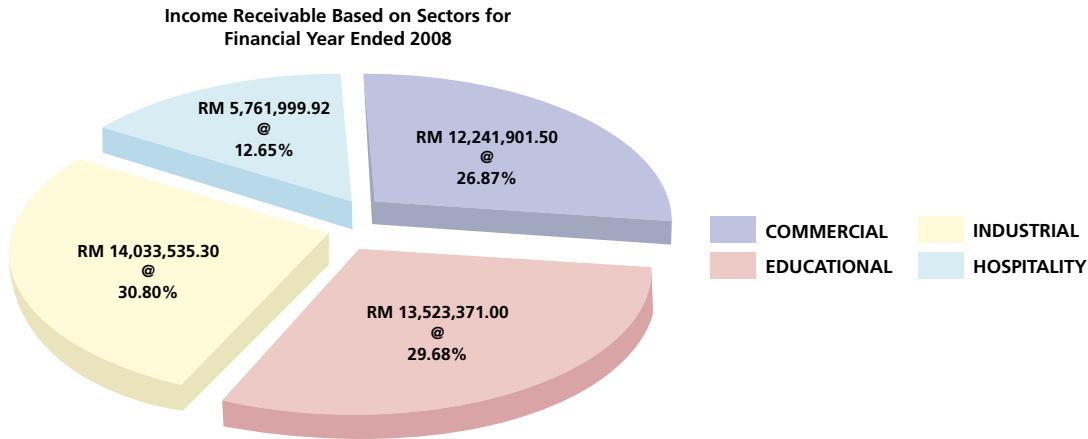
Real Estate(s)	Location	Type of Building	Value (RM'000) (a)	Value over Total Asset Value (%) (a/b)
HOSPITALITY				
Holiday Villa Alor Setar	Alor Setar, Kedah	Hotel	34,000	4.52
Holiday Villa Langkawi	Langkawi, Kedah	Resort Hotel	58,310	7.75
HIGHER EDUCATION BUILDING				
SEGi College, Subang Jaya	Subang Jaya, Selangor	Higher Education Building	54,000	7.17
SEGi College, Kota Damansara	Petaling Jaya, Selangor	Higher Education Building	152,000	20.20
OFFICE BUILDING				
Block A & B, South City Plaza	Seri Kembangan, Selangor	Office Building	19,500	2.59
Wisma AmanahRaya	Jalan Ampang, Kuala Lumpur	Office Building	73,000	9.70
Wisma Amanah Raya Berhad	Damansara Heights, Kuala Lumpur	Office Building	60,000	7.97
Wisma UEP	Subang Jaya, Selangor	Office Building	38,000	5.05
INDUSTRIAL				
Permanis Factory	Bandar Baru Bangi, Selangor	Industrial Factory	28,222	3.75
Tamadam Bonded Warehouse	Port Klang, Selangor	Industrial Warehouse	29,500	3.92
AIC Factory	Shah Alam, Selangor	Industrial Factory	20,000	2.66
Silver Bird Factory	Shah Alam, Selangor	Industrial Complex	95,000	12.62
Gurun Automotive Warehouse	Gurun, Kedah	Industrial Warehouse	24,800	3.30

TOTAL INVESTMENTS

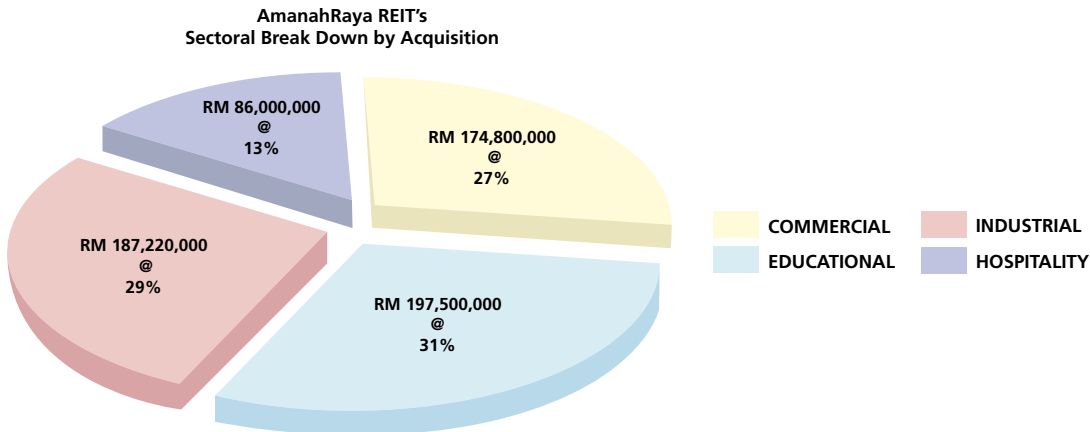
Real Estate-Related Assets (Properties Above)	686,332	91.20
Non-Real Estate-Related Assets - Security Deposits	65,520	8.71
Others (Trade and Other Receivables)	679	0.09
Total Asset Value (RM'000) (b)	752,531	100.00

FINANCIAL HIGHLIGHTS OF ARREIT

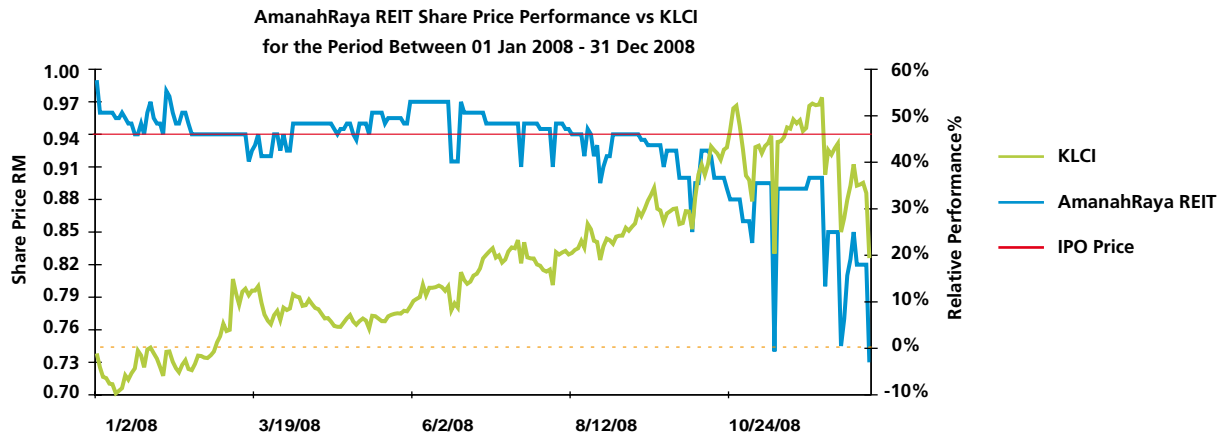
1. Asset size of the four sectors based on the value and percentage over the total asset size.



2. Income receivable for the entire year 2008 based on the four sectors.

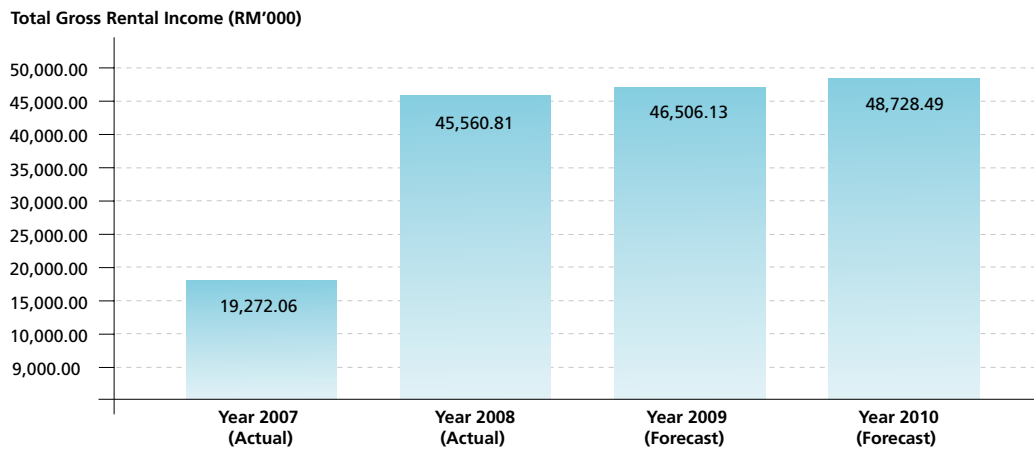


3. Movement of ARREIT's price in relation to Kuala Lumpur Composite Index (KLCI).

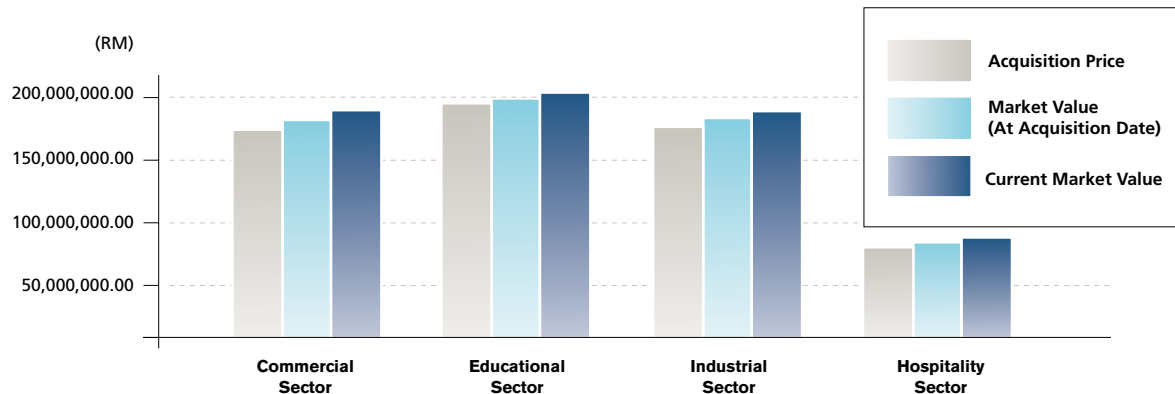


Note:
IPO Price = RM0.94 Price at 31 Dec 2008 = RM0.73

4. Graph demonstrating rental growth for ARREIT properties from year 2007 until year 2010



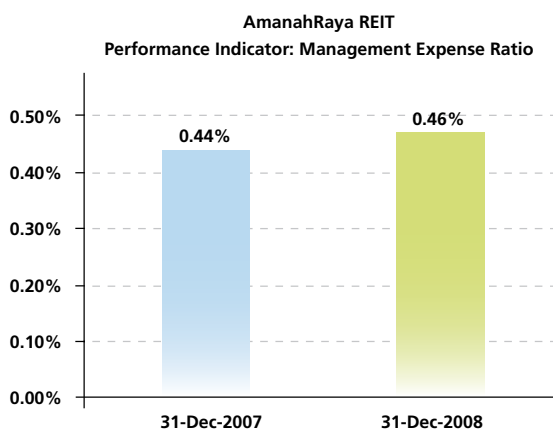
5. Graph demonstrating capital growth for ARREIT properties.



Property Sector	Acquisition Price	Market Value (At Acquisition Date)	Current Market Value
Commercial Sector	174,800,000.00	179,300,000.00	190,500,000.00
Educational Sector	197,500,000.00	201,500,000.00	206,000,000.00
Industrial Sector	187,220,000.00	192,200,000.00	197,522,000.00
Hospitality Sector	86,000,000.00	86,000,000.00	92,310,000.00

Note : Re-evaluation exercises for all properties was conducted in November 2008 by Hakimi & Associates and Rahim & Co Chartered Surveyors.

6. ARREIT Performance Indicator : Management Expense Ratio.





KEY INVESTMENT HIGHLIGHTS OF ARREIT PROPERTY PORTFOLIO

LONG TERM LEASE ARRANGEMENTS

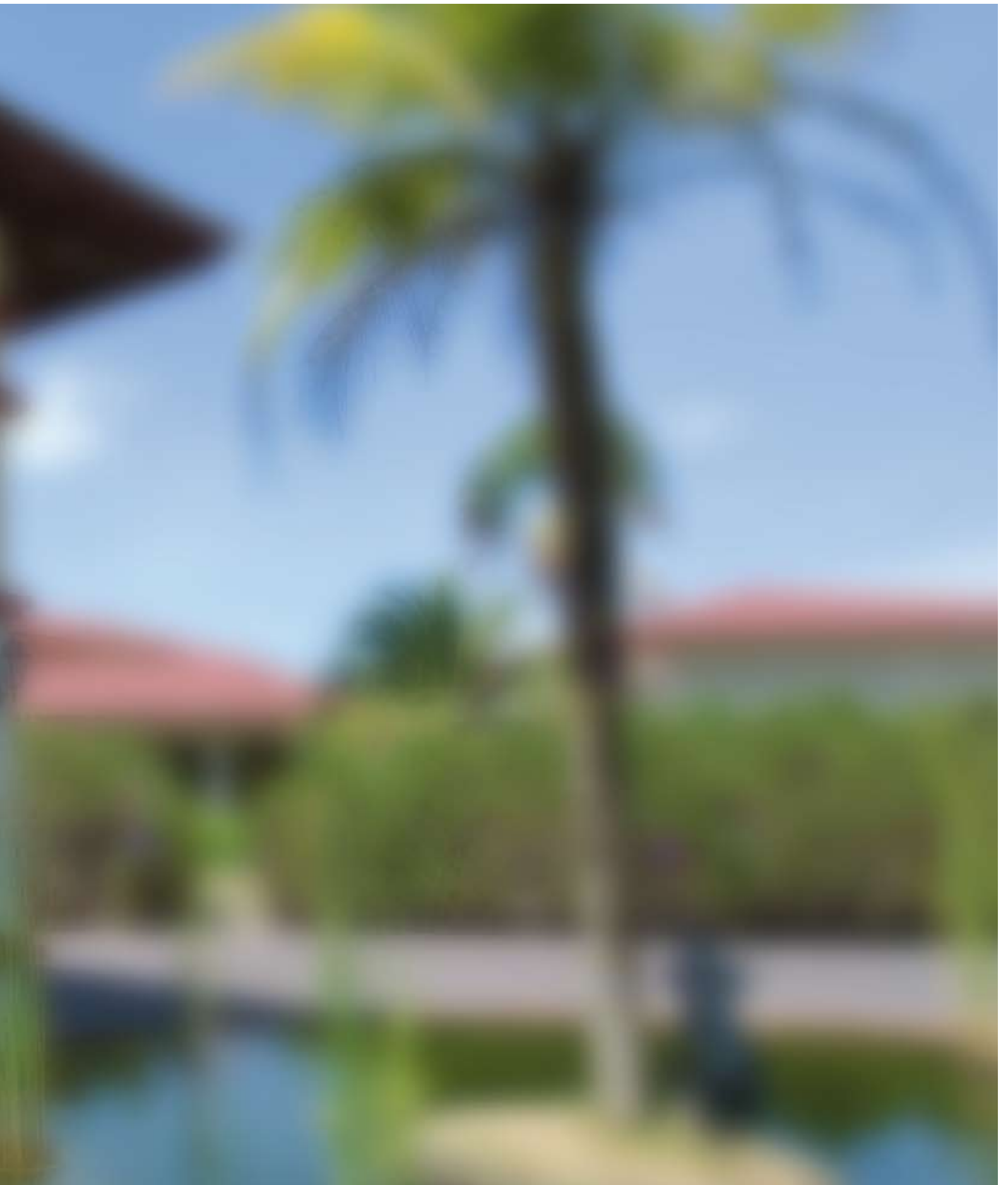
With the exception of Wisma UEP, all properties are being leased for a period of between (6) years to fifteen (15) years. The long term lease arrangements provide added security to mitigate the risk of securing new lessees/tenants frequently. The rental increments for the entire lease period for all lessees/tenants have been pre-determined on a gradual increase which mitigates the risk of lower or stagnant rental during unfavourable economic condition.

SECURITY DEPOSITS

All lessees/tenants of ARREIT provide substantial security deposits in the form of cash deposit or bank guarantee. These deposits are required as a safety measure for ARREIT, should any of the lessees/tenants is not able to fulfil the provisions set out in the respective lease/tenancy arrangements.

"TRIPLE NET" LEASE

Most of the properties have "triple net" lease arrangements whereby the lessee/tenant is fully responsible to bear the cost of the property expenses, which include maintenance, operation costs, statutory payments and insurance.



GURUN AUTOMOTIVE WAREHOUSE



SILVER BIRD FACTORY



AIC FACTORY





SEGi COLLEGE, KOTA DAMANSARA

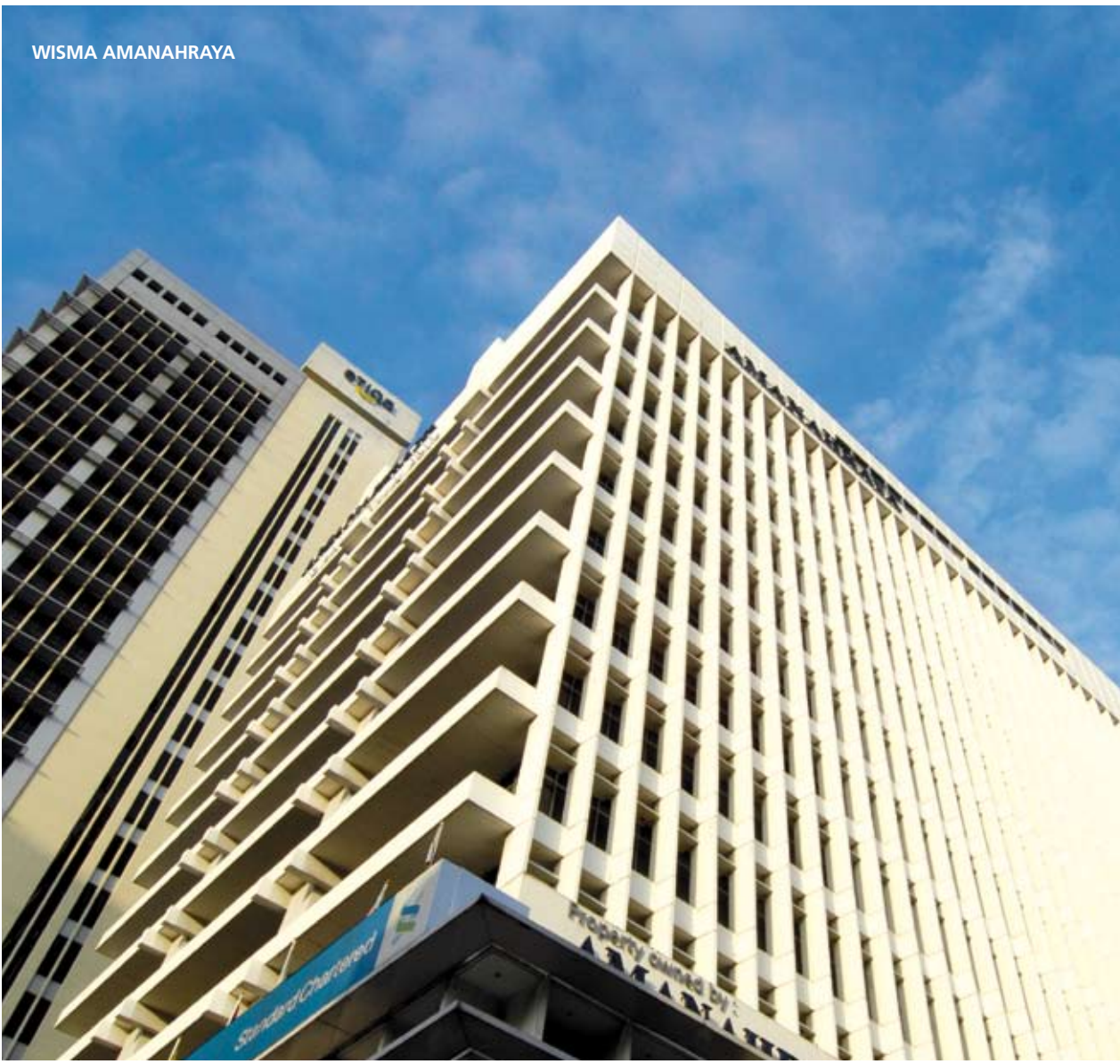


SEGi COLLEGE



TAMADAM BONDED WAREHOUSE

WISMA AMANAHRAYA



PERMANIS FACTORY



HOLIDAY VILLA ALOR SETAR





WISMA UEP



HOLIDAY VILLA LANGKAWI



WISMA AMANAH RAYA BERHAD



BLOCK A & B, SOUTH CITY PLAZA





HOLIDAY VILLA ALOR SETAR

Address	Lot 162 & 163, Jalan Tunku Ibrahim, 05000 Alor Setar, Kedah Darul Aman.
Location	<p>The property is located within the Central Business District of Alor Setar wherein several government & commercial buildings are located amongst others are Majlis Bandaraya Alor Setar building, Bangunan KWSP, Bangunan Bank Simpanan Nasional, Menara Sentosa and University Tun Abdul Razak building.</p> <p>Alor Setar is the capital city of the Kedah State and one of the region's oldest cities. It is a distribution center for manufacturing and agricultural products such as paddy, and the royal seat of the Kedah state since the establishment of this city.</p>
Title details	Lot 162 & 163, held under Geran 7040 and H.S.(D) 1100/85 respectively, Section 5, Town of Alor Setar, District of Kota Setar, Kedah Darul Aman.
Property type	Hotel
Description	A commercial property comprising a 4-star hotel with 155-rooms in Alor Setar located within a 21-storey commercial complex with sub-basement level known as City Plaza.
Age of property	Approximately 14 years
Tenure of Master Title	Freehold for Geran 7040 and 99-year leasehold for H.S.(D) 1100/85
Unexpired lease period	H.S.(D) 1100/85 – approximately 76 years
Lease period	10 years commencing from June 2006
Gross floor area	150,000 sq.ft.
Existing use	Used as a hotel under the brand name of Hotel Holiday Villa.
Parking spaces	44 parking bays
Date of acquisition	26 February 2007
Cost of acquisition	RM31,000,000.00
Valuation as at November 2008	RM34,000,000.00
Valuer	Hakimi & Associates Sdn. Bhd.
Net Book Value	RM34,000,000.00
Master Lessee	Alor Setar Holiday Villa Sdn. Bhd.
Occupancy rate	100% (under master lease agreement)
Net rental (per month)	RM173,083.33
Next rental review	June 2009
Propert Manager	Malik & Kamaruzaman Property Management Sdn. Bhd.